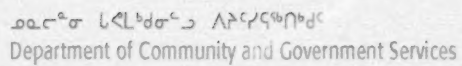


PHOTO COURTESY OF H. MELLING



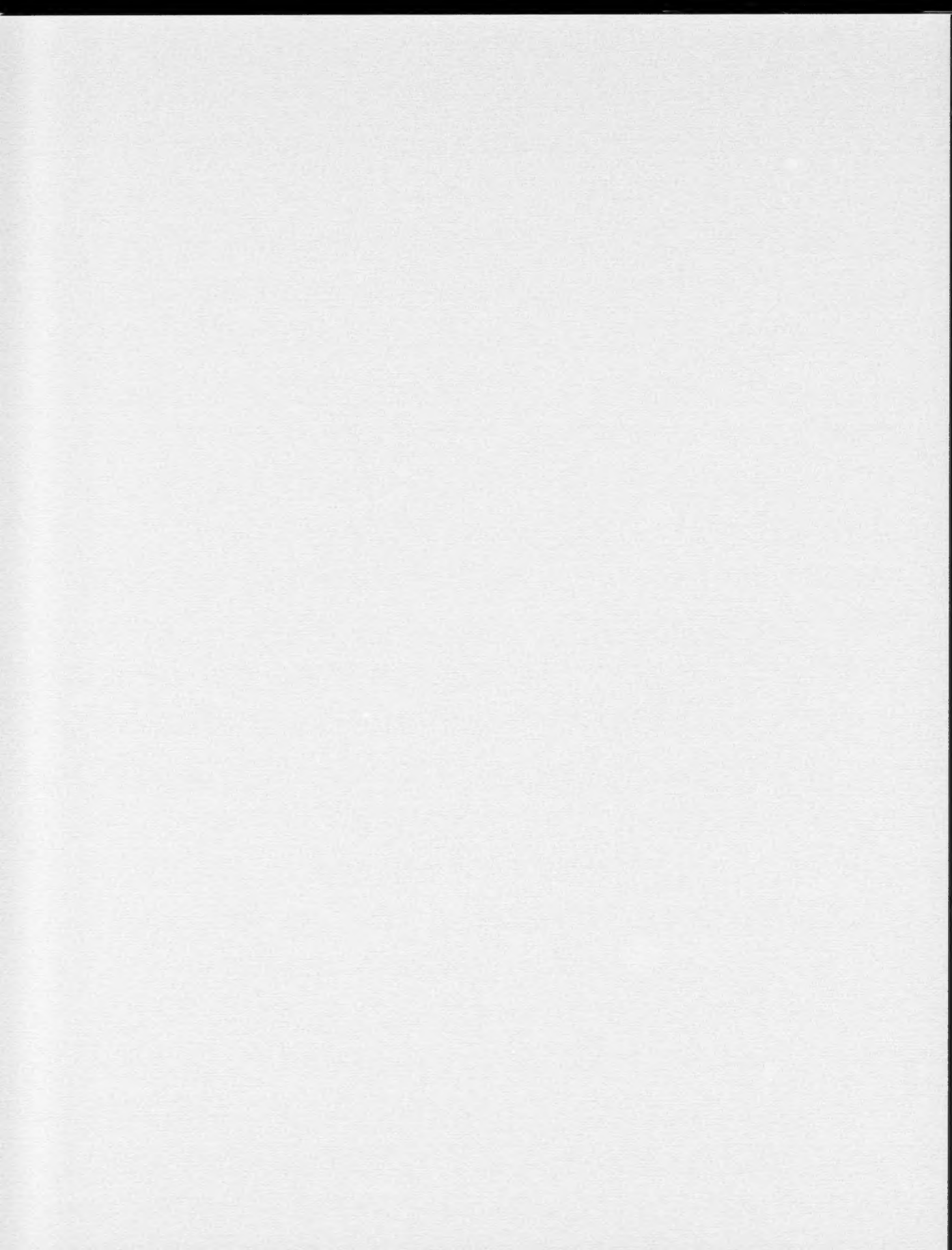


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Purpose

Each year the Government of Nunavut and stakeholders across Nunavut transport goods into the territory by sealift.

Sealift is a strategic and vital link for all Nunavut communities and their residents to obtain their annual re-supply of goods and materials needed throughout the year. It remains the most economical way to transport bulk goods to the Arctic. Each year, ocean going ships and tugs and barges travel from several southern Canada Ports with a variety of goods ranging from construction materials, vehicles, heavy equipment, house wares and non-perishable items.

The purpose of this document is to provide a review of the operational year for dry goods re-supply.

Introduction

The Sealift Annual Report was prepared by the Department of Community and Government Services (CGS).

CGS continues to perform a crucial role through provision of logistical support and coordination of sealift activities for the government. The GN (including its related entities) relies on the designated carriers to transport the needed goods and materials to its offices in each community. Nunavut-based individuals and businesses can also benefit from the same terms and conditions that the GN has negotiated with these designated carriers.

Annual sealift is critical for economic re-supply to Arctic communities and for economic development through exploration activities as well as existing and new resource ventures, even though it is only available for four to five months. Use of the marine mode provides shippers with the lowest costs, and a major review of Sealift in 2005 found the cost of shipping by air can be eight to eleven times the cost of sealift. This is why almost all of non-perishable goods needed in Nunavut move by water, and why the Department works hard to ensure that sealift costs are contained and shippers are aware of the benefits of the marine mode.

Air transport is available year round (weather permitting) and is important for perishables and emergency response, as well as providing regular links with southern Canada.

The report which follows presents significant operational information and detail about activity during the 2013 season, progress and achievements with regard to Sealift and, where applicable, incidents that occurred.

An Operational Year in Review

2013 saw major activity by the primary carriers on behalf of mining activity, with an estimated total of 300-350,000 m³ moved for a combination of the Mary River project on Baffin Island, Agnico Eagle Mines through Baker Lake, Canadian Royalties at Deception Bay and a small amount of cargo into Robert's Bay in the Kitikmeot. Community re-supply, including Nunavik, was estimated at 250-300,000 m³.

Challenges

2013 saw 35 dry cargo trips by the two carriers from the Montreal area; NEAS undertook 14, northbound trips from their base at the Port of Valleyfield, while NSSI undertook 16 northbound trips from Cote Ste Catherine and five from Valleyfield. This season, NSSI also ran three barges from Becancour at the start of the season to Baker Lake, and then used two of them to tranship cargo through Chesterfield Narrows. Both companies provided trips in support of mining related activity, with NEAS calling Milne Inlet on four occasions for the Mary River Iron Ore project while their new ship, the *Mitiq*, as well as the *Qamutiq* provided service to Deception Bay.

NEAS New Vessel Mitiq, ex Emmagracht



<http://www.shipspotting.com/gallery/photo.php?lid=1894693>

NSSI dedicating four trips in support of Agnico-Eagle's Meadowbank mine at Baker Lake as well as two part cargoes fitted in as part of a community call rotation. There were four dedicated and one part cargo in support of Baffinland to Milne Inlet. One of the dedicated trips was by a chartered in vessel, the *HHL Mississippi*; this is a similar type to other heavy lift ships in the Desgagnes fleet and before loading at Valleyfield had discharged transformers at Duluth MN for rail to Alberta. The *Zelada Desgagnes* called at Robert's Bay for TMAC Resources in order to deliver supplies for the Doris North Gold Mine. The call was as part of its community service to Kitikmeot

communities. As in previous years, community calls by both NEAS and NSSI generally included both Nunavik and Nunavut communities.

There is a substantial retrograde cargo activity, partly generated by Agnico Eagle, but also coming from ongoing clean-up activities at abandoned DEW line sites. During the 2013 season a reported 6,500 tonnes of contaminated soil plus other hazardous material debris was removed from Cape Dyer as well as material being moved south from Cape Hooper for disposal or treatment. This is the last year for the major remediation contracts for the derelict stations.

A major achievement was the completion of the small craft harbour at Pangnirtung. While a new cargo laydown area and all tidal barge landing ramp has been provided as part of the project, the overall project may not materially assist annual sealift but it will benefit fishing activities. It is also hoped that it will encourage cruise ships to call and use the dock for passenger transfer.

The New Small Craft Harbour at Pangnirtung



(PHOTO from Nunatsiaq News BY SARAH MCMAHON)

Although there were no apparent sealift problems at Nunavut's 26 communities and, unlike 2012, Iqaluit did not report difficult ice conditions, the first call by NEAS was not until 20 July with the *Mitiq*. Also, this season, NEAS did provide all six scheduled calls at Iqaluit, although the *Mitiq* and the *Umiavut* called back-to-back over 20 July to 08 August.

Nine cruise ships called at communities in Nunavut in 2013, of which the *Silver Explorer* undertook a turnaround in Churchill; most undertook Northwest Passages. In addition, Paul Allen's megayacht *Octopus* undertook its third transit of the North West passage, this time from West to East. Given the yacht's itinerary, it may have been carrying passengers on this occasion.

There were a remarkable 19 adventurers in small craft and mega yachts that visited the region. One, the *Balthazar* had overwintered 2012/13 and was on its way outbound.

Kitikmeot

NSSI provided service with their *Zelada Desgagnes*, while NEAS took their new ship, the *Mitiq* west this season. As noted, there is hope that the Doris North Gold Mine will restart, but there is still no news as to when TMAC Resources will announce an Initial Public Offering (IPO), which they have said is needed to raise funds to move the project into production. In other mining activities, Sabina has reported good results from its Back River property, but MMG Resources has yet again pushed back its permitting process while it tries to find additional resources. Gjoa Haven completed its heritage centre this season, and the community hopes that it will attract more cruise passengers in future years.

Gjoa Haven's New Nattilik Heritage Centre



(PHOTO from Nunatsiaq News BY ED STEWART)

Kivalliq

The Kivalliq region receives GN-contracted services from Churchill and the Montreal area as well as third party shipping from the Montreal area. The Agnico-Eagle mine continued to generate significant traffic during 2013 with four dedicated shiploads, two part ship loads and three tug and barge deliveries from Becancour. Costs at Meadowbank have been brought under control and contributed to overall profitability of the company, despite costs associated with another gold mine. However, while the company remains committed to development of the company's Meliadine property outside Rankin Inlet deadlines have been pushed back due to ongoing concerns about the decline in gold prices.

Qikiqtaaluk

The Mary River project is shifting to what has been called an "Early Revenue Phase." Under this plan, ore will be trucked via a tote road to Milne Inlet and then loaded onto bulk carriers for shipment to steel mills in Europe. The intent is to move 2.5 m tonnes in 2015 and 3.5 m tonnes thereafter, during the open water months only. The rail line to Steensby Inlet will be built later. In order to meet deadlines, the company shipped a reported 173,000 m³ of dry cargo in 9 vessels from Valleyfield this season, construction planned during 2013, the 2013/14 winter and 2014.

Also in the region, the Peregrine Diamonds project, which had been served through Iqaluit suffered a setback when DeBeers withdrew from the project. Peregrine plan to proceed on their own and shipped a large bulk sample south during 2013. The results have indicated that their CH-6 pipe is one of the highest-grade kimberlite pipes in the world. The company also successfully raised additional funding at the end of 2013 to continue exploration activity during 2014.

Going Forward into 2014

As noted there are several mining operations in development that could lead to significant shipping demand within the next several years. These projects include Mary River and Roche Bay iron ore projects in the Qikiqtaaluk Region; Back River, Hackett River, Izok Lake and Doris in the Kitikmeot Region and Agnico Eagle's Meliadine gold mine just outside Rankin Inlet, in the Kivalliq region. By completing contracts for dry cargo service in 2012, Community and Government Services guaranteed Sealift rates and service for the next 5-7 years. However, it was noticeable during the 2013 season that carriers were operating at the limit of available fleet capacity, and it proved difficult to find a space at short notice for late, or additional cargo. Adherence by shippers to cut off dates, and accurate advice regarding quantities is expected to be very important in 2014 and forward.

While not in Nunavut, other projects in Nunavik may also put pressure on sealift services. Oceanic Iron Ore's Cape Hope Advance iron ore project is receiving strong support from the Quebec Government and Manhattan and Forbes appear to have found a way forward for the Canadian Royalties copper/nickel mine adjacent to Glencore's major Raglan nickel mine. This season, two shipments of nickel-copper concentrate were sent to Germany for processing. No details on actual quantity or value are available though.

Operational Observations

NEAS

- NEAS introduced their new ship, the *Mitiq*, this season, but sold the *Aivik* out of Canada. It sailed from Halifax at the end of May.
- The mv *Mitiq* served the Kitikmeot region
- The company deployed four ships on fourteen sailings

Inuit Employment

NEAS employed ten persons from Nunavut with a total of 861 person days of employment. In addition they had one full-time and two part-time persons in administrative roles.

Service Centre

The service centre worked well during the 2013 season.

Community & Government Services has thirty-five containers, including three high cubes and eight smaller containers

NSSI

- There were no issues with NSSI service to any communities during 2013

- NSSI deployed the *Zelada Desgagnes* to the Kitikmeot region
- NSSI used the *Camilla* and *Rosaire A Desgagnes* to provide contracted service to the Kivalliq region out of Churchill
- The company deployed its six owned ships on 21 voyages. One chartered ship was needed during 2013 to help serve Baffinland and the company also employed three Canadian Flag tugs and barges to support service to Agnico-Eagle at Baker Lake as well as making dedicated and combination voyages to service the mine.

Inuit Employment

NSSI continued to expand employment for Inuit beneficiaries during the 2013 season.

- *Shipboard employment and training.* In collaboration with Nunavut Fisheries and Marine Training Consortium in Iqaluit, they provided training and employment for four shipboard personnel.
- *Shoreside management.* They have three persons in full-time and seasonal employment in shoreside positions supporting annual Sealift.
- *Cargo Support for Agnico-Eagle.* As in previous seasons NSSI contracted with Peters Expediting in Baker Lake for cargo handling on behalf of the gold mine. In 2013 seven persons were employed.
- *Sealift Advisory Positions.* In cooperation with Arctic Co-Ops, NSSI trained and provided 1.5 hours per day employment for persons in fourteen communities to provide advice about sealift and liaise with the ship during cargo delivery. 2013 built on a successful 2012 trial, and the company intends to continue with the programme during 2014. This is equivalent to about 700 days employment.
- The company had a local hire available for liaison between ship and shore in Baker Lake during the 2014 season.

NTCL

The company provided two trips from Hay River to Cambridge Bay and Kugluktuk and one each to Gjoa Haven, and Taloyoak.

APPENDIX A

Links to Web Sites

The GN website http://cgs.gov.nu.ca/en/gov_services-purchase_sealift.aspx features a number of important and relevant documents and website links available for the General Public and anyone interested in using sealift services. This web page is available in French and Inuinnaqtun.

The following documents are available on the website:

- General Conditions of Carriage
- Arctic Dry Cargo Re-supply Programme Evaluation 2005
- What to do if your sealift goods are damaged or missing

Links to Service Provider's Websites

- Northern Transportation Company Limited (NTCL): <http://www.ntcl.com>
- Nunavut Sealink & Supply (NSSI) Inc.: <http://www.arcticsealift.com>
- Nunavut Eastern Arctic Shipping Inc. (NEAS): <http://www.neas.ca>

For further information, please contact the GN Manager Logistics with Procurement, Logistics and Contract Support Services.

Telephone: (867) 975-5437

Toll Free: (888) 390-0111

Email: sealift@gov.nu.ca

APPENDIX B

Incidents in the 2013 Sealift Season

No incidents were reported during the 2013 Sealift

APPENDIX C

Website Assessment conducted first week in December 2013

NTCL

- Website has been updated and supposedly offers quadrilingual, English, French, Inuktitut, Inuvialukton service; however, only general descriptive information about the company is available in translation; all other parts of the web site are English only.
- The web site has general rate and delivery information for all Mackenzie River and Western Arctic communities in the Northwest Territories. There does not appear to be a separate area for Kitikmeot customers.
- No information is provided relative to Schedule K (Conditions of Carriage), ADR, or agreed insurance terms and rates embodied in Schedule K.

NSSI

- Website is trilingual English/French/Inuktituk.
- Nunavut and Nunavik options are immediately visible and accessible.
- Schedule K, the General Conditions of Carriage is available through Booking Forms.
- Insurance information does not provide details of coverage included under Schedule K.
- There does not appear to be a link to guidance about ADR for dispute resolution.
- Ship information is not accessible from the Sealift web site, although there is an excellent photo gallery of the ships and cargo operations. Technical details of most of the fleet can be obtained via the Groupe Desgagnes web site.

NEAS

- Website is trilingual English/French/Inuktituk.
- The site still displays the old version of Schedule K, the contractually agreed version for the 2012 contract has not been posted. Also, the document refers to Area A, whereas NEAS is serving Area C. There is a general conditions of carriage document which does not make clear that this only applies to cargo loaded for communities other than Iqaluit (Area C).
- The insurance form does not provide any information regarding basic coverage for packages or automobiles negotiated as part of the current contracts.
- Information is now provided about ADR.